

EXHIBIT 2  
DATE 3-15-2011  
HB 3

The Montana Lottery was created by referendum November 4, 1986, becoming the 23rd state lottery.

All prizes of \$599 or less can be claimed at any Montana Lottery retailer. They can also be claimed at Lottery headquarters in Helena. Prizes of over \$599 must be claimed at Lottery headquarters in Helena or by mailing the signed tickets with a claim form to the Lottery.

Winners must claim their prize within 6 months of the drawing or within 6 months of the Scratch game's end date, after which the winnings are transferred to the General Fund, which provides money to programs for the general operation of state government.

In the case of a winner's death, the Montana Lottery will continue to pay the annual payments, as scheduled, to the winner's estate, trust, or persons named in his or her will. Neither the Lottery nor the state keep the money.

Montana's biggest winners were Kim Claesens and Joseph Lampert, Jr. of Helena. On June 23, 2010, they won the Powerball jackpot of \$48.5 million.

New Scratch games are introduced every month.

Quarter Million Cash is the first Scratch ticket to sell for \$20 and to offer a top prize of \$250,000.

The Montana Lottery's first twice daily game, 10 Spot, launched Feb. 1, 2010. The game draws at 12:30 PM and 7:30 PM every day for a fixed top prize of \$25,000.

Montana joined the big jackpot game Mega Millions March 1, 2010, following action by the Multi-State Lottery Association allowing for the cross-selling of Powerball and Mega Millions.

Alternative accessible formats of this document will be provided upon request.  
One copy of this document was published at an estimated cost of \$34 per copy for a total of \$4,362.

For more information about Montana Sports Action, visit [www.montanasportsaction.com](http://www.montanasportsaction.com).

**Quick Facts**

**By the Numbers**

<b>4</b>	Powerball jackpot winners were from Montana. The last was June 23, 2010.
<b>6</b>	Montana Cash Jackpot ticklers sold at Bob's Supermarket of Townsend.
<b>14</b>	Players have claimed \$1 million or more from a single prize since the Montana Lottery started.
<b>48</b>	Number of new Scratch games started during 2010, with prizes ranging from \$1 to \$250,000.
<b>793</b>	Retailers sell Montana Lottery products throughout the state.
<b>5,548</b>	Fans following the Montana Lottery's Facebook page (December 2010).
<b>14,000</b>	Approximate members of the Player's Club.

**About Us**

The Montana Lottery was created by referendum in 1986. In the past 24 years it has paid out over \$381 million to players in prizes and returned more than \$172.8 million to the State of Montana.

**Mission Statement**

The mission of the Montana Lottery is to maximize the transfer of its net revenue to the state's General Fund by providing products that meet the expectations of consumers and the State of Montana while adhering to the highest standards of security and integrity, which is critical to maintaining public confidence in the agency and its products.

**The Lottery Commission**

Robert Crippen, Chairman ..... Butte  
Tom Keegan ..... Helena  
Beth O'Halloran ..... Missoula  
Wilbur Rehmann ..... Helena  
Craig Anderson ..... Glendive

**Montana Lottery Senior Staff**

John Tarr ..... Director of Security  
Jeff Duran .... Director of Sales and Marketing  
Paul Gilbert ..... Director of IT Services  
Armond Sergeant ..... Director of Fin. Services  
Laurie Field ..... Online/Creative Manager  
Jay Boughin ..... Instant Product Manager  
Marcie Tel ..... Sales Manager  
Jo Berg ..... Communications Manager  
Terry Street ..... Warehouse Manager  
Denise Blankenship ..... Admin. Supervisor

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## Products

**Montana Cash** Montana's original lotto game. Sales started May 6, 1991. Tickets cost \$1 per play, and jackpots start at \$20,000. The Montana Lottery performs bi-weekly draws at the Montana Lottery headquarters.

**Powerball** is a multi-state game offered by 44 lotteries. Montana Powerball sales began April 9, 1992. Tickets cost \$1 per play. Players may add Power Play for \$1 to multiply non-jackpot prizes. Jackpots start at \$20 million.

**Mega Millions** is a multi-state game sold by 42 lotteries. Montana Mega Millions sales began March 1, 2010. Tickets cost \$1 per play. Players may add Megaplier for \$1 to multiply non-jackpot prizes. Jackpots start at \$12 million.

**Hot Lotto** is a multi-state game offered by 55 lotteries. Montana sales started April 7, 2002. Tickets cost \$1 per play. Players may add Stretto for \$1 to multiply non-jackpot prizes. Jackpots start at \$1 million.

**Wild Card** is a multi-state game offered by four lotteries. Montana sales began February 1, 1998. Tickets cost \$1 for two plays. Jackpots start at \$100,000.

**10 Spot** is a Montana-only twice-daily game. Sales began February 1, 2010. Tickets cost \$1 per play, and the op price is \$25,000. Drawings occur at the Montana Lottery headquarters at 12:30 PM and 7:30 PM.

**Montana Scratch** Game prices range from \$1 to \$20, and prizes range from \$1 to \$250,000. The Montana Lottery launches about 40 new Scratch games every year.

**Montana Millionaire** is a Montana-only limited ticket game, making it the best odds of winning \$1 million. Tickets are sold through December 31 with the drawing at Montana Lottery headquarters January 1.

## Where the Money Goes

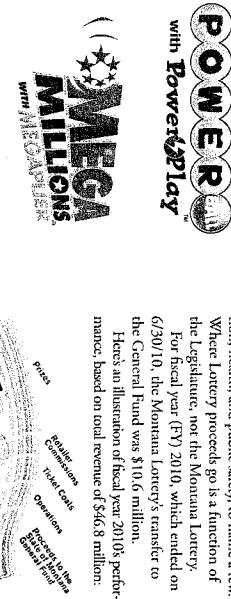
Since the Montana Lottery sold its first ticket in 1987, it has transferred more than \$173 million to the State of Montana.

Since 1995, following legislative action, Lottery proceeds have gone to the state's General Fund. The General Fund provides money for state programs which do not have dedicated revenue sources, such as education, health, and public safety, to name a few.

Where Lottery proceeds go is a function of the legislature, not the Montana Lottery.

For fiscal year (FY) 2010, which ended on 6/30/10, the Montana Lottery's transfer to the General Fund was \$10.6 million.

Here's an illustration of fiscal year 2010 performance, based on total revenue of \$46.8 million:



## Enterprise Fund

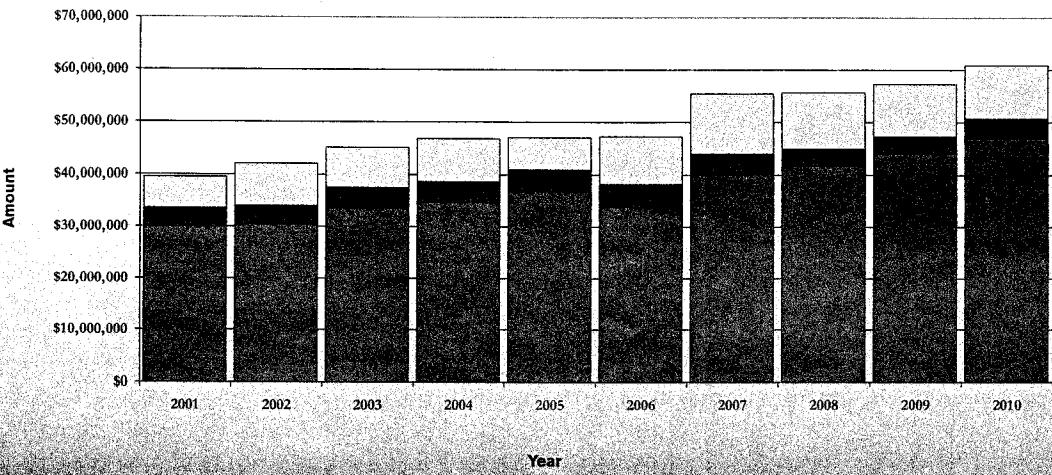
The Montana Lottery's operations are financed and operated similarly to private enterprise, where the intent is to provide goods and services to the general public.

The Lottery receives no funding from the State of Montana. The Lottery's net revenue—its "profit"—is the excess of revenues over expenses. That profit is transferred to the state General Fund.

10-Year Financial History		
10	Total Sales.....	\$46,873,459
	Expenses.....	\$43,852,041
	Transfer.....	\$10,126,563
09	Total Sales.....	\$43,827,111
	Expenses.....	\$41,825,111
	Transfer.....	\$2,002,000
08	Total Sales.....	\$43,545,581
	Expenses.....	\$41,545,581
	Transfer.....	\$2,000,000
07	Total Sales.....	\$41,568,729
	Expenses.....	\$39,568,729
	Transfer.....	\$2,000,000
06	Total Sales.....	\$39,928,912
	Expenses.....	\$37,928,912
	Transfer.....	\$2,000,000
05	Total Sales.....	\$33,841,268
	Expenses.....	\$31,841,268
	Transfer.....	\$2,000,000
04	Total Sales.....	\$36,740,200
	Expenses.....	\$34,740,200
	Transfer.....	\$2,000,000
03	Total Sales.....	\$34,696,380
	Expenses.....	\$32,696,380
	Transfer.....	\$2,000,000
02	Total Sales.....	\$33,670,324
	Expenses.....	\$31,670,324
	Transfer.....	\$2,000,000
01	Total Sales.....	\$30,423,126
	Expenses.....	\$28,423,126
	Transfer.....	\$2,000,000
Total Sales FY 2001-10.....	\$385,421,550	
Total Transfer FY 2001-10.....	\$87,720,016	

## 10-Year Financial History, continued

■ Total Sales ■ Operating Expenses □ Transfer



"The mission of the Montana Lottery is to maximize the transfer of its net revenue to the state's General Fund by providing products that meet the expectations of consumers and the State of Montana while adhering to the highest standards of integrity, which is critical to maintaining public confidence in the agency and its products."

The Lottery operates much like a business; we design, produce and market our products for sale to our players through our retailer network.

The Lottery sells three types of products, scratch tickets at different price points, Lotto tickets or draw games like Powerball and Montana Cash and two Montana Sports Action games, which are fantasy sports games that we facilitate for the Board of Horse Racing.

The Lottery sells products through over 800 retailers throughout the state. Our retailer network includes convenience stores, grocery stores, liquor stores, taverns and casinos.

From our total revenues, we subtract the cost of prizes to players, retailer commissions, ticket costs and operations expenses, resulting in the net profit, which is transferred to the General Fund on a quarterly basis.

We have had record setting sales and transfers for the past five years. Our success can be attributed to a few key factors.

First, we have expanded our product offerings to include several new games including Mega Millions, Montana Millions, 10 Spot and Montana Sports Action Fantasy Auto Racing and Football. We have also increased our scratch ticket sales and offerings over the last three years.

Secondly, we have improved our customer service to retailers and players by offering convenience lottery located self service vending machines at 59 grocery stores throughout the state. This allows the store to offer Lottery products even when their customer service counters are not open. The vending machines have been very successful, generating over \$1.3M in sales since they were deployed in June and July of 2010.

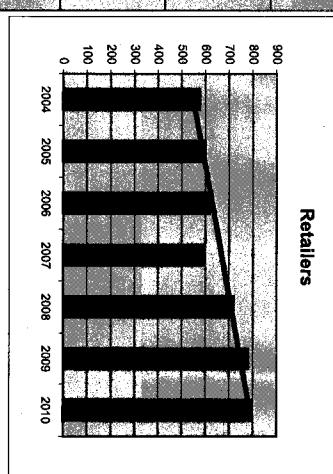
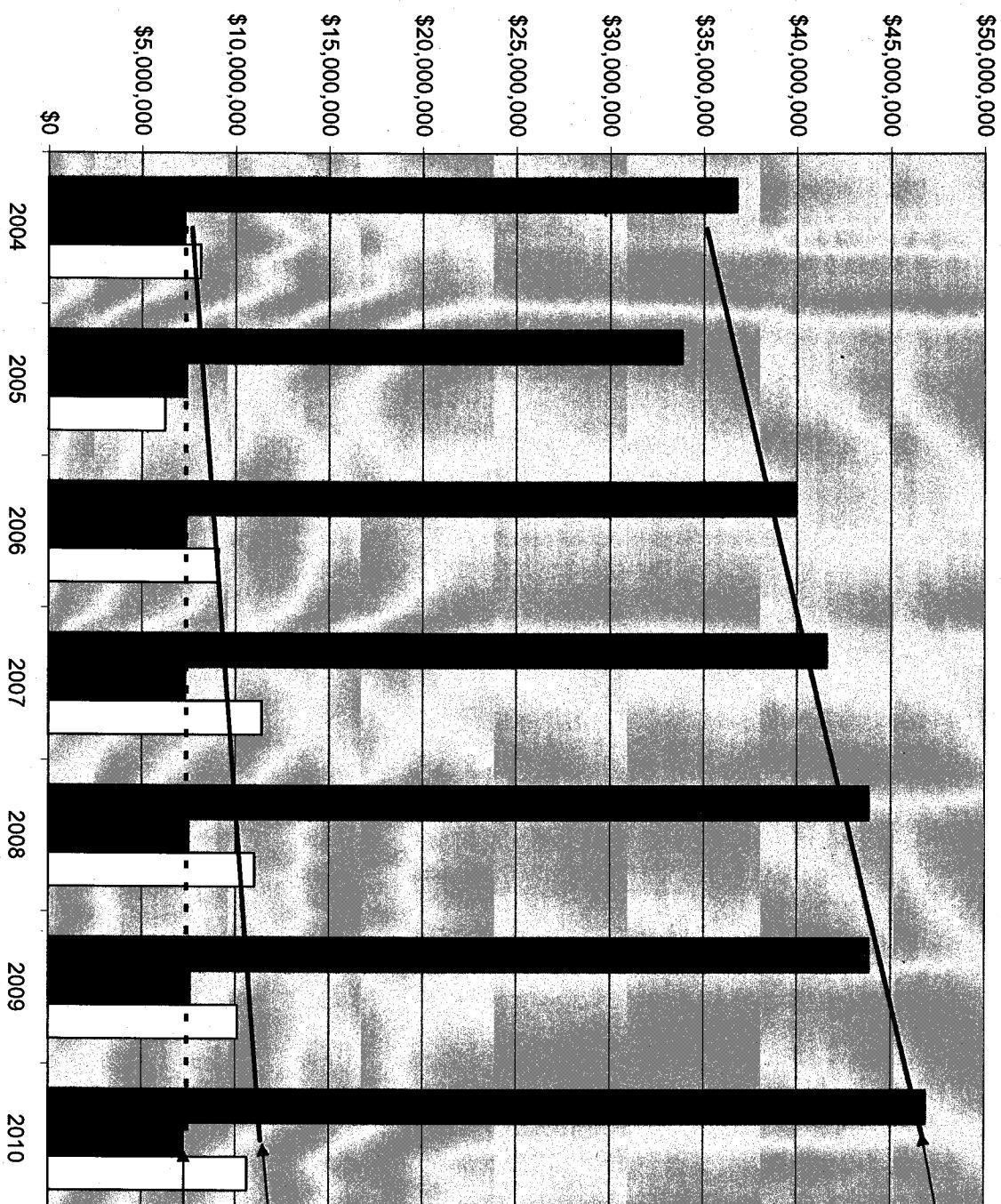
Over the five year period from 2005 to 2010, the Lottery realized a 39% increase in revenue and a 71% increase in the transfer to the General Fund. Over the same five year period, our budget authority has remained the same yet many of our major expenses are tied directly to sales.

Exactly like our prize expense and retailer commissions that we incur each year, the fees we pay our vendor for running our gaming system are in direct relation to our increase or decrease in ticket sales. However, prize expense and retailer commissions are statutorily appropriated, but vendor fees are included as part of our House Bill 2 proprietary appropriation along with the rest of our operating expenses.

Between FY09 and FY10 the Lottery experienced an increase in sales of \$3Million which resulted in significantly higher vendor fees that contributed to the Lottery surpassing our HB2 appropriation for FY10.

The Lottery had the additional cost of purchasing the previously mentioned self service vending machines. The Lottery contracted for 60 of the machines and paid for half of the machines during FY10, with the remainder of the cost to be paid over five years instead of another cash outlay in FY2011.

As a result of these two expenses in 2010, the Lottery was approved for a supplemental budget transfer of \$650,000 from FY2011 to FY2010, which temporarily solved the budget deficit. However, it put an impossible strain on the budget for 2011.



Revenue Trendline

- Total Revenues
- HB 2 Budget Authority
- Transfer

Transfer Trendline

Budget Authority Trendline